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ARIZONA CORPORATION COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR AN ORDER OR
ORDERS AUTHORIZING IT TO ISSUE,
INCUR, AND AMEND EVIDENCES OF
LONG-TERM INDEBTEDNESS, SHORT-
TERM INDEBTEDNESS, AND OTHER
LONG-TERM SECURITIES, TO MANAGE
INTEREST RATE RISK, TO EXECUTE
NEW SECURITY INSTRUMENTS TO
SECURE ANY SUCH INDEBTEDNESS
OR OTHER LONG-TERM SECURITIES,
AND FOR DECLARATORY ORDER
CONCERNING VARIABLE INTEREST
ENTITIES

DOCKET NO. E-01345A-11-0423

**APS SUPPLEMENTAL
COMMENTS ON
STAFF REPORT**

INTRODUCTION

On November 22, 2011, Arizona Public Service Company ("APS" or "Company") filed the above Application pursuant to Sections 40-285, 40-301, and 40-302 of the Arizona Revised Statutes, and the Arizona Corporation Commission's ("Commission") Decision No. 69947 (October 30, 2007) (the "2007 Order"). On November 2, 2012, Utilities Division Staff ("Staff") filed its Report on the Application, requesting Comments by November 9, 2012. On November 8, 2012, APS filed such

1 Comments wherein the Company stressed the need for action prior to December 31,
2 2012.

3 **THE PROBLEM**

4 APS's long-term debt authorization expires after December 31, 2012. The 2007
5 Order does state that then existing obligations as of December 31, 2012 would remain
6 valid, but that would not solve the problem of APS being without any additional long-
7 term debt capacity. Even if APS had no intent to rush out in January and borrow
8 additional long-term capital, the mere fact that the Company would be legally incapable
9 of doing so would be very negatively received in the financial community both from a
10 liquidity and a regulatory standpoint.

11 The Company's Application herein raises issues other than the extension and
12 increase of APS's long-term debt authority. As can be seen by the Company's
13 Comments of November 8, 2012, there are several issues that need to be resolved
14 concerning Staff's recommendations in any final Commission order. Consequently,
15 APS is greatly concerned that this matter will not be heard by the Commission before
16 the end of this year

17 **A POTENTIAL SOLUTION**

18 If the Commission cannot fully resolve the Company's Application by year's
19 end, APS strongly urges that the Commission issue an interim order in this docket or if
20 believed necessary, in Docket No. E-01345A-06-0779 (the docket in which the 2007
21 Order was issued) extending the long-term debt authorizations of the 2007 Order until
22 further order of the Commission. APS believes this could be simply done by having
23 such an interim order state in its ordering paragraphs: "IT IS HEREBY ORDERED that
24 the long-term debt authorizations of Decision No. 69947 shall remain in effect until
25 further order of the Commission." And, if the Commission instead decides to amend
26 Decision No. 69947 rather than issue an interim order in this docket, APS would
27 suggest an even simpler fix. Merely add the words "and Continuing Long-Term Debt"
28 after the words "Continuing Short-Term Debt" at page 18, line 17 of that decision.

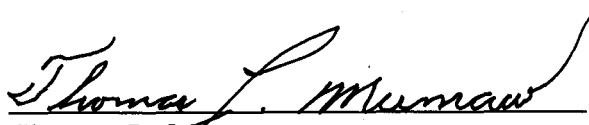
1 Finally, to the extent the Commission wishes to grant this extension in the earlier 2006
2 docket, APS waives any right to notice and hearing to which it (the only party in the
3 2006 docket) would be entitled.

4 CONCLUSION

5 APS has proposed this potential solution out of its great concern that this matter
6 will not be fully resolved this year. If those concerns are unfounded, then the Company
7 is prepared to proceed to Open Meeting on its full Application. But in any event, the
8 Company's long-term debt authorization must not be allowed to expire.

9 Finally, a cautionary note on this proposed interim solution. APS will eventually
10 need the additional long-term debt authority recommended by Staff in the Staff Report.
11 APS would also like to be in a position to manage interest rate risk using the financial
12 tools likewise recommended in the Staff Report. APS asks the Commission to direct
13 that this matter be brought before them at the earliest practical date in 2013 for a final
14 resolution.

15 RESPECTFULLY SUBMITTED this 19th day of November, 2012.

16
17 
18 Thomas L. Mumaw
19 Melissa M. Krueger
20 Attorneys for Arizona Public Service
21 Company

22 ORIGINAL and thirteen (13) copies
23 of the foregoing filed this 19th day of
24 November, 2012, with:

25 The Arizona Corporation Commission
26 Hearing Division – Docket Control
27 1200 West Washington Street
28 Phoenix, Arizona 85007

